

10-15 REGIONAL TRANSIT AGENCY  
INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

10-15 REGIONAL TRANSIT AGENCY

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10-15 REGIONAL TRANSIT AGENCY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Representing</u>
Board of Directors		
Lee Dimmitt	Chairman	Jefferson County
Greg Kenning	Vice Chairman	Wapello County
Dale Taylor	Secretary	Davis County
Deke Wood	Member	Keokuk County
Dennis Smith	Member	Lucas County
Jody McDanel	Member	Appanoose County
John Sellers	Member	Wayne County
Mark Doland	Member	Mahaska County
Michael Beary	Member	Monroe County
Ted Nixon	Member	Van Buren County
Agency		
Jay Allison	Executive Director	

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
10-15 Regional Transit Agency:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of 10-15 Regional Transit Agency as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the 10-15 Regional Transit Agency as of June 30, 2015, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

As discussed in Note 5 to the financial statements, 10-15 Regional Transit adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27. Our opinions are not modified with respect to this matter.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require management's discussion and analysis, the budgetary comparison information, the schedule of the agency's proportionate share of the net pension liability and the schedule of agency contributions on pages 4 through 6 and 23 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 10-15 Regional Transit Agency's basic financial statements. The supplementary information including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2016, on our consideration of the 10-15 Regional Transit Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 10-15 Regional Transit Agency's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO. P.C.

June 29, 2016  
Ottumwa, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis of 10-15 Regional Transit Agency provides an overview of the Agency's financial activities for the year ended June 30, 2015 and is provided for consideration in conjunction with the Agency's financial statements, which follow.

### 2015 FINANCIAL HIGHLIGHTS

- The Agency received \$2,081,558 during the year ended June 30, 2015 from a combination of federal and state grants and local sources. This compares to \$869,431 for the six months ended June 30, 2014.
- Expenses were \$1,740,749 for the year ended June 30, 2015. This compares to \$842,021 for the six months ended June 30, 2014.
- The Agency's net position increased \$340,809 from June 30, 2014 to June 30, 2015.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.

The Entity-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Agency as a whole and present an overall view of the Agency's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, the Agency's proportionate share of the net pension liability and related contributions.

Supplementary Information includes the Schedule of Expenditures of Federal Awards and provides details of various federal programs benefiting the Agency.

### REPORTING THE AGENCY'S FINANCIAL ACTIVITIES

#### *Entity-wide Financial Statements*

One of the most important questions asked about the Agency's finances is, "Is the Agency as a whole better off or worse off as a result of the period's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents all of the Agency's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the Agency's net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The Statement of Activities presents information showing how the Agency's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the event or change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Agency's governmental activities are displayed in the Statement of Net Position and the Statement of Activities. Governmental activities include state and federal transit assistance and local sources of revenue.

## ENTITY-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the net position of governmental activities.

### Net Position of Governmental Activities

	June 30, 2015	June 30, 2014, As Restated
Current and other assets	\$ 630,834	\$ 298,632
Capital assets	<u>518,724</u>	<u>350,097</u>
Total assets	<u>1,149,558</u>	<u>648,729</u>
Deferred outflows of resources	74,177	61,740
Current liabilities	423,740	86,543
Long-term liabilities	<u>249,241</u>	<u>739,100</u>
Total liabilities	672,981	825,643
Deferred inflows of resources	325,119	-
Net position:		
Net investment in capital assets	518,724	350,097
Unrestricted	<u>(293,089)</u>	<u>(465,271)</u>
Total net position	\$ <u>225,635</u>	\$ <u>(115,174)</u>

Net position of the Agency increased 295.9% (from \$(115,174) to \$225,635) during the year ended June 30, 2015.

Governmental Standards Board Statement No. 68 Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 was implemented during fiscal year 2015. The beginning net position as of July 1, 2014 was restated by \$561,646 to retroactively report the net pension liability as of June 30, 2013 and deferred outflows of resources made after June 30, 2013 but prior to July 1, 2014. Pension expense and deferred inflows of resources were not restated because the information was not available. In the past, pension expense was the amount of the employer contribution. Current reporting provides a more comprehensive measure of pension expense which is more reflective of the amounts employees earned during the year.

### Changes in Net Position of Governmental Activities

	Year ended June 30, 2015	Six months ended June 30, 2014, Not Restated
Program revenues:		
Federal sources	\$ 730,797	\$ 296,597
State sources	345,128	141,193
Local sources	961,261	411,516
Miscellaneous	<u>44,372</u>	<u>20,125</u>
Total revenues	<u>2,081,558</u>	<u>869,431</u>
Program expenses:		
Salaries and benefits	1,000,728	464,249
Vehicle fuel	313,872	178,240
Insurance	47,760	34,361
Repairs	110,282	25,795
Occupancy	40,492	17,996
Professional fees	15,924	5,168
Office expenses	44,836	4,598
Operating expenses	5,369	979
Miscellaneous	5,277	704
Depreciation	<u>156,209</u>	<u>109,931</u>
Total expenses	<u>1,740,749</u>	<u>842,021</u>
Increase in net position	340,809	27,410
Net position – beginning of period, as restated	<u>(115,174)</u>	<u>419,062</u>
Net position – end of period	\$ <u>225,635</u>	\$ <u>446,472</u>

For the year ended June 30, 2015, Agency's total revenues increased \$1,212,127, or 139.42%, from the six month period ending June 30, 2014. The increase was primarily the result of a twelve month audit period compared to the prior period of only six months.

## INDIVIDUAL MAJOR FUND ANALYSIS

As the Agency completed the year ended June 30, 2015, fund balance decreased \$199,351 to \$12,738.

## BUDGETARY HIGHLIGHTS

As shown in the Budgetary Comparison Schedule, actual revenues exceeded budgeted revenues by \$300,388 and budgeted expenditures exceeded actual expenditures by \$412,461. These results were primarily due to more local revenue sources being received than budgeted and expending more for salaries and benefits and capital purchases than was budgeted. The Agency did not amend the budget during the year ended June 30, 2015.

## CAPITAL ASSETS AND LONG-TERM LIABILITIES

### Capital Assets

At June 30, 2015, the Agency had \$518,724 invested in buildings and vehicles and equipment, net of accumulated depreciation. This is a net increase of \$168,627 which is due to capital asset additions less depreciation expense for the year ending June 30, 2015. More detailed information about the Agency's capital assets is presented in Note 3 to the financial statements.

### Long-term liabilities

	Long-Term Liabilities	
	June 30, 2015	June 30, 2014, as restated
Compensated absences	\$ 45,237	\$ 41,622
Payable to City of Ottumwa, Iowa	-	74,092
Net pension liability	<u>204,004</u>	<u>623,386</u>
	<u>\$ 249,241</u>	<u>\$ 739,100</u>

Long-term liabilities decreased during the year ended June 30, 2015 due, in part, to payments made to the City and the reduction of the net pension liability.

## NEXT YEAR'S BUDGET

Budgeted revenues and expenditures increased 6.7% and 5.9%, respectively, for fiscal year 2016 over the budgeted fiscal year 2015 amounts. Revenues are budgeted to increase \$88,745 from local sources and salaries and benefits expenses are budgeted to increase \$165,973.

## CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our local governments, local transit subcontractors and the citizens of Southeastern Iowa with a general overview of the Agency's finances to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the 10-15 Regional Transit Agency at 2417 S. Emma, Ottumwa, Iowa 52501.



## BASIC FINANCIAL STATEMENTS

10-15 REGIONAL TRANSIT AGENCYSTATEMENT OF NET POSITIONJUNE 30, 2015ASSETS:

Cash and cash equivalents	\$	203,067
Receivables:		
Accounts		37,361
Due from other governments		374,257
Prepaid expenses		16,149
Capital assets, net of accumulated depreciation		<u>518,724</u>
Total assets		<u>1,149,558</u>

DEFERRED OUTFLOWS OF RESOURCES:

Pension related deferred outflows	74,177
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LIABILITIES:

Accounts payable	347,908
Salaries and benefits payable	75,832
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences	45,237
Portion due or payable after one year:	
Net pension liability	<u>204,004</u>
Total liabilities	<u>672,981</u>

DEFERRED INFLOWS OF RESOURCES:

Pension related deferred inflows	<u>325,119</u>
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NET POSITION:

Net investment in capital assets	518,724
Unrestricted	<u>(293,089)</u>
Total net position	\$ <u>225,635</u>

10-15 REGIONAL TRANSIT AGENCY

EXHIBIT B

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

	Program Revenues				Total
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental activities:					
Operating	\$ 1,740,749	\$ 936,261	\$ 811,369	\$ 289,556	\$ 296,437
General Revenues:					
Miscellaneous					44,372
Change in net position					340,809
Net position beginning of year, as restated					(115,174)
Net position end of year					\$ 225,635

10-15 REGIONAL TRANSIT AGENCYBALANCE SHEET - GOVERNMENTAL FUNDSJUNE 30, 2015ASSETS

Cash and cash equivalents	\$	203,067
Receivables:		
Accounts		37,361
Due from other governments		374,257
Prepaid expenditures		16,149
TOTAL ASSETS	\$	<u>630,834</u>

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCESLIABILITIES:

Accounts payable	\$	347,908
Salaries and benefits payable		75,832
TOTAL LIABILITIES		<u>423,740</u>

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenues		<u>194,356</u>
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FUND BALANCES:

Nonspendable:		
Prepaid expenditures		16,149
Unassigned		(3,411)
TOTAL FUND BALANCES		<u>12,738</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$	<u>630,834</u>
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10-15 REGIONAL TRANSIT AGENCY

RECONCILIATION OF THE BALANCE SHEET -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
JUNE 30, 2015

Total governmental fund balances	\$	12,738
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$3,616,222 and the accumulated depreciation is \$3,097,498.		518,724
Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds.		194,356
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:		
Deferred outflows of resources	\$	74,177
Deferred inflows of resources		<u>(325,119)</u> (250,942)
Long-term liabilities, including compensated absences payable and net pension liability are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds.		<u>(249,241)</u>
Net position of governmental activities	\$	<u>225,635</u>

10-15 REGIONAL TRANSIT AGENCY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2015

REVENUES:

Federal sources	\$	536,441
State sources		345,128
Local sources		961,261
Miscellaneous		44,372
Total revenues		<u>1,887,202</u>

EXPENDITURES:

## Operating:

Salaries and benefits	1,103,813
Vehicle fuel	313,872
Insurance	47,760
Repairs	110,282
Occupancy	40,492
Professional fees	15,924
Office expenditures	44,836
Operating expenditures	5,369
Capital purchases	324,836
Miscellaneous	5,277
Total expenditures	<u>2,012,461</u>

Deficiency of revenues under expenditures	(125,259)
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## Other financing uses:

Payment to City of Ottumwa, Iowa	<u>(74,092)</u>
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Change in fund balances	(199,351)
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Fund balances beginning of period	<u>212,089</u>
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Fund balances end of period	\$ <u>12,738</u>
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10-15 REGIONAL TRANSIT AGENCY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2015

Change in fund balances - Total governmental funds	\$	(199,351)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$	324,836	
Depreciation expense		<u>(156,209)</u>	168,627

Because some revenues will not be collected for several months after the Agency's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Other		194,356
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Proceeds from long-term liabilities provide current financial resources to governmental funds, but debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current period repayments are as follows:

Repaid		74,092
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The current year Agency employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflows of resources in the Statement of Net Position.

76,652

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(3,615)	
Pension expense	<u>30,048</u>	<u>26,433</u>

Change in net position of governmental activities	\$	<u>340,809</u>
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## 10-15 REGIONAL TRANSIT AGENCY

### NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The 10-15 Regional Transit Agency is an intergovernmental agency established in accordance with the provisions of Chapter 28E of the Code of Iowa. The area of jurisdiction is Regions 15 and 17, which includes the counties of Davis, Keokuk, Lucas, Wapello, Appanoose, Wayne, Jefferson, Mahaska, Monroe and Van Buren. The Agency's powers and duties are those authorized by Chapter 28E of the Code of Iowa.

The purpose of the Agency is to permit the local governments in the Southeastern Iowa area to make efficient use of their transit operation powers by enabling them to provide joint services and facilities. It also provides planning advisory services and assistance in preparing special planning documents and applications for its members. In performing its duties, the Agency may contract with and expend funds from federal, state and local agencies, public or semi-public agencies or private individuals or corporations as long as the expenditures are for authorized purposes.

The financial statements of 10-15 Regional Transit Agency have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, the 10-15 Regional Transit Agency has included all funds. The Agency has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Agency. The Agency has no component units which meet the Governmental Accounting Standards Board criteria.

#### B. Basis of Presentation

##### Entity-wide Financial Statements

The General Fund comprises the 10-15 Regional Transit Agency's governmental fund. This fund is the general operating fund of the Agency and the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources of the fund is referred to as "fund balance".

The entity-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the Agency. Governmental activities are those which normally are supported by intergovernmental revenues.

The Statement of Net Position presents the Agency's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation.

*Unrestricted net position* consists of net position not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.



10-15 REGIONAL TRANSIT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for the governmental fund.

The Agency reports the following major governmental fund:

The General Fund is the general operating fund of the Agency.

C. Measurement Focus and Basis of Accounting

The entity-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned, and then unassigned fund balances.

Under terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

D. Budget

The Executive Director of the Agency prepares an annual budget for the Agency's general operations. This budget is approved and monitored by the Board. The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, expenditures exceeded the amount budgeted.

10-15 REGIONAL TRANSIT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Due From Other Governments

Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

F. Capital Assets

Capital assets, which include building and equipment and vehicles, are reported in the Statement of Net Position in Exhibit A. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Building, equipment and vehicles	\$ <u>5,000</u>

Capital assets of the Agency are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Building	15
Equipment	5-15
Vehicles	5-15

- G. Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

H. Compensated Absences

Agency employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded in the Statement of Net Position. This liability has been computed based on rates of pay in effect at June 30, 2015.

- I. Deferred Inflows of Resources – Deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consists of receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statement of Net Position consist of the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

10-15 REGIONAL TRANSIT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Fund Balance

In the governmental fund financial statements, fund balances (other than nonspendable) are classified as unassigned as there are no constraints placed on the use of resources.

NOTE 2: CASH AND INVESTMENTS

The Agency's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts, and warrants or improvement certificates of a drainage district.

The Agency had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

NOTE 3: CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2015 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Capital assets being depreciated:				
Buildings	\$ 35,318	\$ -	\$ -	\$ 35,318
Vehicles	2,990,827	324,836	-	3,315,663
Equipment	265,241	-	-	265,241
Total	<u>3,291,386</u>	<u>324,836</u>	<u>-</u>	<u>3,616,222</u>
Less accumulated depreciation for:				
Buildings	16,874	2,355	-	19,229
Vehicles	2,690,282	140,951	-	2,831,233
Equipment	234,133	12,903	-	247,036
Total	<u>2,941,289</u>	<u>156,209</u>	<u>-</u>	<u>3,097,498</u>
Capital assets, net	\$ <u>350,097</u>	\$ <u>168,627</u>	\$ <u>-</u>	\$ <u>518,724</u>

NOTE 4: LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2015 is as follows:

	Net Pension Liability	Compensated Absences	Payable to City of Ottumwa, Iowa	Total
Balance beginning of period, as restated	\$ 623,386	\$ 41,622	\$ 74,092	\$ 739,100
Increases	-	45,237	-	45,237
Decreases	(419,382)	(41,622)	(74,092)	(535,096)
Balance end of period	\$ <u>204,004</u>	\$ <u>45,237</u>	\$ <u>-</u>	\$ <u>249,241</u>
Due within one year	\$ <u>-</u>	\$ <u>45,237</u>	\$ <u>-</u>	\$ <u>45,237</u>

10-15 REGIONAL TRANSIT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 5: PENSION PLAN

Plan Description – IPERS membership is mandatory for employees of the Agency, except for those covered by another retirement system. Employees of the Agency are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25 percent for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50 percent for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

10-15 REGIONAL TRANSIT AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: PENSION PLAN (Continued)

Contributions – Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the Agency contributed 8.93 percent for a total rate of 14.88 percent.

The Agency's contributions to IPERS for the year ended June 30, 2015 were \$76,652.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the Agency reported a liability of \$204,004 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Agency's proportion of the net pension liability was based on the Agency's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Agency's collective proportion was .005041 percent, which was a decrease of .005969% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Agency recognized pension expense of \$(30,048). At June 30, 2015, the Agency reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows</u> <u>of Resources</u>	<u>Deferred Inflows</u> <u>of Resources</u>
Differences between expected and actual experience	\$ 2,217	\$ -
Changes of assumptions	9,003	-
Net difference between projected and actual earnings on pension plan investments	-	77,801
Changes in proportion and differences between Agency contributions and proportionate share of contributions	-	247,318
Agency contributions subsequent to the measurement date	<u>62,957</u>	<u>-</u>
Total	\$ <u>74,177</u>	\$ <u>325,119</u>

10-15 REGIONAL TRANSIT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: PENSION PLAN (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

\$62,957 reported as deferred outflows of resources related to pensions resulting from the Agency contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (74,613)
2017	(74,613)
2018	(74,613)
2019	(74,613)
2020	(15,447)
	<u>\$ (313,899)</u>

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00 percent per annum
Salary increases (effective June 30, 2014)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23 %	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100</u> %	

10-15 REGIONAL TRANSIT AGENCY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 5: PENSION PLAN (Continued)

Discount Rate – The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Agency will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Agency's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Agency's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Agency's proportionate share of the net pension liability	\$ 385,460	\$ 204,004	\$ 50,837

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan – At June 30, 2015, the Agency reported payables to the defined benefit pension plan of \$6,051 for legally required employer contributions and \$4,031 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE 6: RISK MANAGEMENT

The Agency is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from the prior period.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

10-15 REGIONAL TRANSIT AGENCY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2015

NOTE 6: RISK MANAGEMENT (Continued)

The Agency's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Agency's contributions to the Pool for the year ended June 30, 2015 were \$47,760.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the County's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the Agency's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the Agency's risk-sharing certificate, or in the event that a casualty claim, property loss or series of claims or losses exhausts total Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The Agency does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the Agency's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The Agency also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the past two fiscal periods.

NOTE 7: DONATED RENT

The City of Ottumwa, Iowa rents office and garage space to the Agency for \$1 per year. The fair value of the space rented is \$1,520 per month. \$18,240 has been included as miscellaneous revenue and occupancy expenses in the accompanying financial statements.



10-15 REGIONAL TRANSIT AGENCY

NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2015

NOTE 8: ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position for governmental activities was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Governmental Activities</u>
Net position June 30, 2014, as previously reported	\$ 446,472
Net pension liability at June 30, 2014	(623,386)
Deferred outflows of resources related to prior year contributions made after the June 30, 2013 measurement date	<u>61,740</u>
Net position July 1, 2014, as restated	\$ <u>(115,174)</u>

NOTE 9: RECLASSIFICATIONS

Certain amounts for the six months ended June 30, 2014 have been reclassified to conform with the presentation for the year ended June 30, 2015.

NOTE 10: SUBSEQUENT EVENTS

The Agency has evaluated subsequent events through June 29, 2016 the date statements were available to be issued.

## REQUIRED SUPPLEMENTARY INFORMATION

10-15 REGIONAL TRANSIT AGENCY

BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
REQUIRED SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2015

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Favorable (Unfavorable) Variance</u>
<b>REVENUES:</b>			
Federal sources	\$ 536,441	\$ 493,914	\$ 42,527
State sources	345,128	295,000	50,128
Local sources	961,261	772,500	188,761
Miscellaneous	44,372	25,400	18,972
Total revenues	<u>1,887,202</u>	<u>1,586,814</u>	<u>300,388</u>
<b>EXPENDITURES:</b>			
Salaries and benefits	1,103,813	927,527	(176,286)
Vehicle fuel	313,872	330,000	16,128
Insurance	47,760	49,550	1,790
Repairs	110,282	86,000	(24,282)
Occupancy	40,492	27,801	(12,691)
Professional fees	15,924	20,500	4,576
Office expenditures	44,836	42,075	(2,761)
Operating expenditures	5,369	23,500	18,131
Capital purchases	324,836	66,500	(258,336)
Miscellaneous	5,277	26,547	21,270
Total expenditures	<u>2,012,461</u>	<u>1,600,000</u>	<u>(412,461)</u>
Deficiency of revenues under expenditures	(125,259)	(13,186)	(112,073)
Other financing uses	<u>(74,092)</u>	<u>-</u>	<u>(74,092)</u>
Deficiency of revenues under expenditures and other financing uses	(199,351)	(13,186)	(186,165)
Fund balance beginning of year	<u>212,089</u>	<u>294,940</u>	<u>(82,851)</u>
Fund balance end of year	\$ <u>12,738</u>	\$ <u>281,754</u>	\$ <u>(269,016)</u>

See Accompanying Independent Auditor's Report.

10-15 REGIONAL TRANSIT AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING

JUNE 30, 2015

The Executive Director of the 10-15 Regional Transit Agency prepares an annual budget for the Agency's general operations. This budget is approved and monitored by the Board. Budgetary control is based on total expenditures.

During the year ended June 30, 2015, expenditures exceeded the amounts budgeted. There were no budget amendments during the year ended June 30, 2015.

10-15 REGIONAL TRANSIT AGENCY

SCHEDULE OF THE AGENCY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST FISCAL YEAR

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>
Agency's proportion of the net pension liability	0.005041 %
Agency's proportionate share of the net pension liability	\$ 204,004
Agency's covered-employee payroll	\$ 705,012
Agency's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.94 %
Plan fiduciary net position as a percentage of the total pension liability	87.61 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

10-15 REGIONAL TRANSIT AGENCY

SCHEDULE OF AGENCY CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST 2 FISCAL YEARS

REQUIRED SUPPLEMENTARY INFORMATION

	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 76,652	\$ 62,957
Contributions in relation to the statutorily required contribution	<u>76,652</u>	<u>62,957</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>
Agency's covered-employee payroll	\$ 858,364	\$ 705,012
Contributions as a percentage of covered-employee payroll	8.93 %	8.93 %

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Agency will present information for those years for which information is available.

## 10-15 REGIONAL TRANSIT AGENCY

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

#### *Changes of benefit terms:*

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

#### *Changes of assumptions:*

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

10-15 REGIONAL TRANSIT AGENCY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION LIABILITY

YEAR ENDED JUNE 30, 2015

*Changes of assumptions: (Continued)*

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.



## SUPPLEMENTARY INFORMATION

10-15 REGIONAL TRANSIT AGENCY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED JUNE 30, 2015

<u>Grantor/Program</u>	<u>CFDA Number</u>		<u>Program Expenditures</u>
Indirect:			
U.S. Department of Transportation:			
Iowa Department of Transportation:			
Capital Investment Grants	20.500	\$	<u>95,200</u>
Formula Grants for Rural Areas	20.509		<u>441,241</u>
 Total		\$	<u>536,441</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of 10-15 Regional Transit Agency and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the  
10-15 Regional Transit Agency:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the 10-15 Regional Transit Agency as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated June 29, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 10-15 Regional Transit Agency's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 10-15 Regional Transit Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the 10-15 Regional Transit Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-15 through II-G-15 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 10-15 Regional Transit Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the Agency's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Agency. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### 10-15 Regional Transit Agency's Response to Findings

The 10-15 Regional Transit Agency's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The 10-15 Regional Transit Agency's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the 10-15 Regional Transit Agency during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
June 29, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Directors of the  
10-15 Regional Transit Agency:

Report on Compliance for Each Major Federal Program

We have audited 10-15 Regional Transit Agency's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on 10-15 Regional Transit Agency's major federal program for the year ended June 30, 2015. 10-15 Regional Transit Agency's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 10-15 Regional Transit Agency's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 10-15 Regional Transit Agency's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of 10-15 Regional Transit Agency's compliance.

Opinion on the Major Federal Program

In our opinion, 10-15 Regional Transit Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

## Report on Internal Control Over Compliance

The management of 10-15 Regional Transit Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered 10-15 Regional Transit Agency's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 10-15 Regional Transit Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-15 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

10-15 Regional Transit Agency's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. 10-15 Regional Transit Agency's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ANDERSON, LARKIN & CO. P.C.

Ottumwa, Iowa  
June 29, 2016

10-15 REGIONAL TRANSIT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which was required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.509 – Formula Grants for Rural Areas.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) 10-15 Regional Transit Agency did not qualify as a low-risk auditee.

Part II: Finding Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- II-A-15 Segregation of Duties – During our review of internal control, the existing procedures are evaluated in order to determine incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and, therefore, maximizes the accuracy of the Agency's financial statements.

One individual has custody of receipts and performs all record-keeping and reconciling functions for the office, including the signing of checks.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the Board should review the operating procedures of the office to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including board members.

Response and Corrective Action Planned – The Board of Directors will adopt a policy that requires two signatures on all checks.

Conclusion – Response accepted.

- II-B-15 Driver Deposits – Drivers do not always deliver checks and cash to the office in a timely manner. In some cases, the office is unable to determine which customers the checks and cash relate to, and this leads to difficulties in reconciling account receivable.

Recommendation – Drivers should be required to drop off fares collected to the office at least weekly. In addition, a listing should accompany these collections that details who paid and who did not.

Response and Corrective Action Planned – Once the Route Match system is fully integrated, drivers will use this to identify deposits. In the interval, drivers will provide a listing to the office. Also, the drivers will do this at least weekly.

Conclusion – Response accepted.

10-15 REGIONAL TRANSIT AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

Part II: Finding Related to the Financial Statements: (Continued)

INTERNAL CONTROL DEFICIENCIES: (Continued)

- II-C-15 Approval of Expenditures – Currently the Board approves the expenditures after they have been paid.

Recommendation – Expenditures should be approved by the Board prior to payment. This will increase the segregation of duties by giving the Board oversight responsibilities.

Response and Corrective Action Planned – We do not feel that our current procedures in this area need to be changed.

Conclusion – Response acknowledged.

- II-D-15 Capitalization Policy – After it's separation from the City, the Agency has not officially adopted it's own capitalization policy related to capital assets.

Recommendation – The Board should officially adopt it's own policy.

Response and Corrective Action Planned – The Board will look into this.

Conclusion – Response accepted.

- II-E-15 Credit Card Policy – The Agency does not currently have a written policy that dictates the use of Agency credit cards.

Recommendation – The Board should adopt a written policy that includes who can use the cards, what can be purchased with the cards, where the cards are kept when not in use, and the documentation requirements related to card use.

Response and Corrective Action Planned – The Agency has credit card policies but they are not written.

Conclusion – The Board should consider adopting written policies.

- II-F-15 Petty Cash – Petty cash is advanced to drivers for travel expenses. Currently there is no policy that requires the driver turn in receipts to account for the advanced amounts and no expenses are recorded in the Organization's accounting system.

Recommendation – The Organization should adopt a policy that requires employees to account for advanced funds and the accounting system should include expenses for the advanced funds.

Response – We will put policies in place

Conclusion – Response accepted.

- II-G-15 Wage Garnishments – Certain employees of the organization are having their wages garnished as a result of an order received from local law enforcement. The amounts withheld from employee checks for garnishments are supposed to be remitted to the agency that ordered the garnishment at least monthly, if not more often. During our testing it was determined that two garnishments were not remitted until six months after the amounts were withheld, and by that time the garnishment orders had expired and the remittances were returned to the organization.

Recommendation – The Organization should comply with the requirements regarding garnishment remittances.

Response – We will do so from now on.

Conclusion – Response accepted.



10-15 REGIONAL TRANSIT AGENCY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2015

Part II: Finding Related to the Financial Statements: (Continued)

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFCA Number 20.509 Formula Grants for Rural Areas  
U.S. Department of Transportation

- III-A-15 Segregation on Duties over Federal Receipts and Disbursements – The Agency did not properly segregate collection, deposit, disbursement and record-keeping for receipts and disbursements, including those related to federal programs. See item II-A-15.

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-15 Questionable Expenditures – No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-B-15 Travel Expense – No expenditures for travel expenses of spouses of Agency officials or employees were noted.
- IV-C-15 Business Transactions – No business transactions between the Agency and Agency officials or employees were noted.
- IV-D-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa policy were noted.

The Agency has not adopted an investment policy.

Recommendation – The Board should adopt an investment policy that complies with the Code of Iowa.

Response and Corrective Action Planned – The Board will look into this.

Conclusion – Response accepted.

- IV-E-15 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.

A summary of minutes was not published. Chapter 28E of the Code of Iowa requires 10-15 Transit to publish a summary of the proceedings of each regular or special meeting of the Board. This information is to be published in one newspaper of general circulation within the geographic area served by the Agency within 20 days following adjournment of the meeting. In addition, a notice of upcoming board meetings was not published.

Recommendation – The Agency should publish a summary of minutes and notice of upcoming board meetings in accordance with Chapter 28E of the Code of Iowa.

Response and Corrective Action Planned – We will do so from now on.

Conclusion – Response accepted.